

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

SUBCOMMITTEE ON OIL AND GAS BILLS

Call to Order: By **CHAIRMAN ALVIN ELLIS JR.**, on April 9, 1999 at 11:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Alvin Ellis Jr., Chairman (R)
Sen. Barry "Spook" Stang (D)
Sen. Bob Depratu (R)

Members Excused: None

Members Absent: None

Others Present: Bryan Smith, Department of Revenue
Don Hoffman, Department of Revenue
Patrick Montalban, Northern Montana Oil & Gas Association
Jerome Anderson, Shell Oil Company

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Bills Discussed: SB 530, HB 661, HB 658

DISCUSSION ON SB 530, HB 661 AND HB 658

SEN. ELLIS asked the Department of Revenue to tell the committee their suggestions for making these three bills fit together. **Don Hoffman, Department of Revenue**, said that basically what the Department is proposing is to leave the concept in **HB 658** alone, that less than three barrels would get the .8% rate. The qualification in **HB 661** would be 15 barrels, but there would be a

two-tiered rate after the first three barrels. From four barrels to ten barrels, the rate would 5.8%, which is the lower rate, and then the 9.3% rate in **SB 530** would be included in **HB 661**. He said that brings it all together so that the stripper concept could be rolled into a single bill.

Mr. Hoffman said the other thing the Department is suggesting is getting rid of the \$16 and \$20 threshold, and just leaving the current \$30 concept that says that the stripper concept goes away when the price gets to \$30. He said this would eliminate the administrative nightmare for both the Department and the producer when the threshold is in an area where the prices bounce above and below that threshold.

After discussion, the committee decided that **HB 661** and **HB 658** would be amended to coordinate, and **Mr. Hoffman** said the Department is presently working on **SB 530** in the House and they would make sure that all these amendments fit together on all three bills.

Mr. Smith said the hardest part of this process is the distribution and there needs to be coordinating instruction to specify how distribution takes place. The committee discussed at length with the Department how distribution should be handled, and it was concluded that 11 to 15 barrels would be distributed according to current law, and 4 to 10 barrels would be at the 5.8% rate, with 5% going to local government. If the price goes over \$30, it would all be treated the same as 11 to 15 barrels under current law.

ADJOURNMENT

Adjournment: 10:30 A.M.

SEN. ALVIN ELLIS JR., Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas77bad)